



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Division of Health Care Finance and Policy
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Boston, MA 02116

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JUDYANN BIGBY, M.D.
Secretary

TIMOTHY P. MURRAY
Lieutenant Governor

DAVID MORALES
Commissioner

February 12, 2010

Greg Deconciliis
Administrator
Boston Out-Patient Surgical Suites
840 Winter Street
Waltham, MA 02451

Dear Mr. Deconciliis:

The Division of Health Care Finance & Policy (Division), in collaboration with the Attorney General's Office, is required by state law to hold annual public hearings concerning health care provider and insurer costs and cost trends. (See the public notice attached as "Exhibit A.") Massachusetts General Law, chapter 118G §6½ requires the Division to identify a representative sample of health care providers and payers as witnesses for such hearing. In accordance with these provisions, Boston Out-Patient Surgical Suites has been identified as a witness and is hereby requested to submit written testimony to the questions in "Exhibit B" in accordance with this notice and exhibits.

The goals of the written testimony are to examine and verify the findings presented in the Division's three preliminary reports: The Massachusetts Health Care System in Context: Costs, Structure, and Methods Used by Private Insurance Carriers to Pay Providers; Private Health Insurance Premium Trends 2006-2008; and Health Spending Trends for Privately Insured 2006-2008. (The Division's findings and research are located at www.mass.gov/dhcfp/costtrends.) Specifically, the Division seeks to understand to what extent - if any - your organization's experience varies from the agency's findings, to solicit additional information that explains the premium and cost increases, to gather your perspective on the dynamics driving the trends observed, and to obtain your recommendations for short and long term solutions to such dynamics.

While this testimony must be in writing, you may also be called for oral testimony on one or more of the hearing dates scheduled to take place on March 16, 18, and 19, 2010. Please be advised that additional dates the following week may be necessary to accomplish the Division's statutory directives.

With your assistance and active participation, the Division seeks to develop tangible policy recommendations to mitigate health care cost growth and to develop an integrated health care delivery system in a final report to the Legislature.

Boston Out-Patient Surgical Suites is required to:

1. electronically submit to the Division written testimony, signed under the pains and penalties of perjury, responding to the areas of inquiry identified on the attached "Exhibit B" on or before – but no later than - close of business Friday, February 26, 2010; and
2. be prepared to appear at a public hearing to provide oral testimony at some time during, but not limited to, the following days: March 16, 18, and 19.

The written testimony should be submitted to costtrends@hcf.state.ma.us. Any and all written testimony will be a public record and will be posted on the Division's website. The Division will contact Boston Out-Patient Surgical Suites no later than March 5th and determine whether you will be required to provide oral testimony at the hearings, and if so, the time period for which you must be present. Thank you for your attention to this important and timely matter.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Morales". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David Morales
Commissioner

cc: Thomas O'Brien, Office of the Attorney General

Enclosures

Exhibit A: Public Notice of Hearing

Exhibit B: Instructions and Questions for Written Testimony

Exhibit A

NOTICE OF PUBLIC HEARING

Pursuant to the provisions of M.G.L. c.118G, §6 ½ the Division of Health Care Finance and Policy ("Division") will hold a public hearing beginning Tuesday March 16, 2010 at 10:00 AM at the Reggie Lewis Center, 1350 Tremont Street, Roxbury Crossing, MA 02120, and subsequent days thereafter regarding:

HEALTH CARE PROVIDER AND PAYER COSTS AND COST TRENDS

Commissioner David Morales will preside over the hearings, which may be expected to continue through March 31, 2010. The Division shall call as witnesses a representative sample of providers and payers, including but not limited to those specified by the statute, who shall provide testimony under oath and subject to examination and cross examination by the Division and the Attorney General, as authorized by M.G.L. c. 118G, §§ 6 and 6 ½, regarding the factors that contribute to cost growth within the Commonwealth of Massachusetts' health care system and to the relationship between provider costs and payer premium rates. The Division reserves the right to call other witnesses in furtherance of the statutory purpose of the hearings.

Testimony may include without limitation: (i) in the case of providers, testimony concerning payment systems, payer mix, cost structures, administrative and labor costs, capital and technology costs, adequacy of public payer reimbursement levels, reserve levels, utilization trends, and cost-containment strategies, the relation of private payer reimbursement levels to public payer reimbursements for similar services, efforts to improve the efficiency of the delivery system, efforts to reduce the inappropriate or duplicative use of technology; and (ii) in the case of private and public payers, testimony concerning factors underlying premium cost and rate increases, the relation of reserves to premium costs, the payer's efforts to develop benefit design and payment policies that enhance product affordability and encourage efficient use of health resources and technology, efforts by the payer to increase consumer access to health care information, and efforts by the payer to promote the standardization of administrative practices, and any other matters as determined by the Division.

The Division will schedule and accept oral testimony only from witnesses called by the Division; any member of the public may submit written testimony. All written testimony provided by witnesses or the public may be posted on the Division's website: <http://www.mass.gov/dhcfp>.

Additional information regarding the hearings may be posted from time to time on the Division's website.

Exhibit B: Instructions and Questions for Written Testimony

Instructions

- 1) On or before the close of business February 26, 2010, electronically submit written testimony signed under the pains and penalties of perjury to: costtrends@hcf.state.ma.us.
- 2) Answer all questions that apply to your organization's experience, limiting your response to no more than 500 words per each numbered question. Please begin all questions with a brief summary not to exceed 120 words. If necessary, please include supporting testimony in an Appendix.
- 3) The testimony must contain a statement that the person who signs it is legally authorized and empowered to represent the named organization for the purposes of this testimony, and that the testimony is signed under the pains and penalties of perjury. An electronic signature will be sufficient for this submission.
- 4) If you have any questions regarding this process or regarding the following questions, please contact: Kate Nordahl, Assistant Commissioner, at Kate.Nordahl@state.ma.us or (617) 727-7662 (fax).

Questions

- 1) After reviewing the preliminary reports located at www.mass.gov/dhcfp/costtrends please provide commentary on any data or finding that differs from your organization's experience and the potential reasons therefore.
- 2) Do you see trends in your revenues, from 2006 to 2008 or more recently, that differ materially from these aggregate trends with respect to:
 - a. The rate of change in hospital outpatient facility prices and faster revenue growth compared with inpatient revenues and freestanding outpatient facility revenues;
 - b. The growth of revenues for outpatient imaging services;
 - c. Price changes versus other sources of growth in revenues, specifically for outpatient facility and imaging services.
- 3) What are the one or two most important underlying causes of your experience, as described above? Provide any information you have that will support your assertions. In particular:
 - a. What accounts for the growth outpatient facility prices per service? What accounts for the growth in utilization of outpatient hospital facility services? Do you foresee the same factors continuing to drive the growth in total facility charges in future years?
 - b. How does your relative market position or market share affect your organization's cost or revenue trends?

- 4) Please explain your affiliations with hospitals in your geographic area. From what kinds of entities do you receive referrals, and what kinds of formal arrangements, if any, do you have with them?
- 5) Please comment on the decline in expenditures for freestanding outpatient facilities in general identified in the Division's reports. Has your organization experienced a similar decline in volume? If so, how has your organization modified its business model in response? For example, have you considered affiliating or being purchased by a hospital? Have you made any changes in the service mix you offer?

With respect to the aggregate trends, please comment:

- 6) What specific actions has your organization taken already to address these trends in the short term or long term?
 - a. What current factors limit the ability of your organization to execute these strategies effectively?
- 7) What types of systemic changes would be most helpful in reducing cost trends without sacrificing quality and consumer access? What other systemic or policy changes do you think would encourage or help health care providers to operate more efficiently?
- 8) Could enhanced competition or government intervention or a combination of both mitigate the cost trends found in the Divisions report? Please describe the nature of the changes you would recommend. In addition, please address the following:
 - a. What would be the impact on your organization of making data public regarding quality and the reimbursement rates paid by each carrier to each hospital or system in a manner that identifies all relevant organizations? What is the advantage or disadvantage to your organization of the current confidential system?
- 9) Please identify any additional cost drivers that you believe should be examined in subsequent years and explain your reasoning.
- 10) Please provide any additional comments or observations you believe will help to inform our hearing and our final recommendations.